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SUBJECT: NEW BASRA GOVERNOR SOUNDS CAUTIONARY NOTE

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REASON: 1.4 (b), (d)

¶1. (SBU) Summary: On April 28, new Basra Governor Dr. Shiltag Abud took the reins of power from outgoing Fadhila Governor Mohammed Wa'eli. In a ceremony that brought together members of the incoming and outgoing Provincial Councils, Shiltag sounded a cautionary note, observing that the provincial budget will not be sufficient to cover essential projects. He called for help from Iraq's "friends" - especially investment. The professor of Arabic literature at Basra University linked investment and reconstruction explicitly to security. Shiltag expressed the same themes in more detail during two earlier meetings with PRT officers during the past week. End summary.

¶2. (U) New Governor Shiltag sat next to outgoing Governor Wa'eli on a pleasant spring afternoon in the garden of the provincial governorate building on April 28 as the two affixed their signatures to the transition of power document. In his remarks, Wa'eli praised the achievements of the outgoing Provincial Council (PC), although he observed that the budget from Baghdad had not been sufficient to return Basra to its former prosperity. He was followed by outgoing PC Chairman Mohammed Al-Obadi, who also gave credit to the outgoing Council, although he noted that the new PC will be able to work in a climate of greater security.

¶3. (U) Shiltag, in a ten-minute speech delivered without notes, adopted a cheerful yet realistic tone, noting that the budget allocation from Baghdad will not be sufficient to cover essential projects. Basra must seek help from its "friends," Shiltag said, and he made it clear that investment will play a key role. Basra must work to overcome all the obstacles and challenges that the former Council was unable to surmount because of poor security. Success for the new PC will only be possible with the support of the people of Basra, he added, citing clean-up of the Corniche along the Shatt Al-Arab as a project that will work only with popular support.

Looking for friends, looking for revenues

¶4. (U) The same themes emerged during two earlier meetings PRT staff had with Shiltag during the week. On April 27, Shiltag visited the PRT for a dinner with a Japanese trade delegation organized by MNF-I and led by trade officials from the Japanese embassy in Baghdad. The then Governor-elect devoted two hours and thirty minutes to dinner and long discussions with the 12-member trade delegation. Shiltag engaged in animated conversations with several of the Japanese visitors, who included not only representatives of the Japanese Investment and Credit Agency but also of Japanese corporations that plan to participate in projects such as the new export oil

pipelines and the Shell natural gas venture.

15. (C) Shiltag reiterated his awareness of the province's financial squeeze during a meeting at the Basra Operations Command (BOC) on April 22. Speaking to BOC Commander Major General Mohammed Jawad Huwaidi, British Brigadier Thomas Beckett, 2/4 Brigade Combat Team commander Col. Butch Kievenaar, and representatives of the PRT, Shiltag elaborated on the province's budget shortfall, which he described as "desperate." He clarified that this year's budget of 237 billion ID is about one-third last year's, and would barely cover last year's obligations. The new PC is starting out with no money, he acknowledged, blaming the deficit partially on Baghdad's formula for allocating funds and lamenting that Basra contributes so much to the national economy but gets little in return. He added that he was discussing ideas for raising money with Baghdad, including the introduction of a one-dollar tax on each barrel of oil produced or a tax on trucks transporting goods from the ports.

16. (C) Shiltag also indicated that his relationship with fellow Da'wa party member Prime Minister Nouri Al-Maliki would give him a distinct advantage in obtaining central-government assistance and resolving problems at the national level quickly. This, he asserted, would improve cooperation with the ports, South Oil Company, and other important local assets. Shiltag touched on various strategies to improve the economy, including a plan to recruit Iraqi expatriates to share their expertise with the local government.

17. (C) Shiltag described other major obstacles to development, including corruption, and bemoaned Basra's severe unemployment.. To ameliorate the problem, he suggested implementing various development projects, while encouraging foreign and local investment. He spoke angrily on the subject of corruption, reminding everyone that, "the rule of law is the

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foundation of all progress." He speculated that corruption could be successfully dealt with through a public awareness campaign, which included public outreach and training.

18. (C) Despite his sober view of the current outlook, Shiltag was upbeat. He drew attention to his popularity in the province, which in January earned him more votes than any other candidate. He praised the success of General Mohammed and the Iraqi Security Forces (ISF) in strengthening security, which he explained had provided him a "base to build upon." In turn, General Mohammed expressed his support for Shiltag, describing him as "upright" and uninterested in personal gain. The two acknowledged a "special relationship" between them that would ensure future cooperation between the ISF and provincial government.

19. (C) Shiltag's optimism returned when Colonel Kievenaar, commander of the 2/4 Brigade Combat Team, asked him to name other major challenges he wanted to tackle. The governor-elect did not hesitate: the beauty of the city is important, the city should promote cleanliness and recycling in targeted areas to let people see what is possible and then expand the program to the rest of the city. Such progress is well within the realm of possibility, he emphasized, although progress requires that people learn to arrive at work at 8 am and not on "Iraqi time." Shiltag again emphasized that his government could rely on the population's full support in its bid to forge a new era of prosperity. However, he openly requested PRT technical assistance and expertise. Shiltag also agreed with the PRT leader's assessment that some problems, such as the delivery of essential services, must also be addressed through better management of the existing infrastructure.

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